MONTANA LEGISLATIVE HISTORY

Chapter 455 19 93

Bill H 641 S _____ Original bill & history ✓ C

H. Committee on Taxation			S. Committee on Taxation		
Hearing Date(s)	Mar 02	✓ C	Hearing Date(s)	Apr 01	✓ C
		C			C
		C			C
		C			C
Date Out	Mar 02	✓ C		Apr 01	✓ C

Did this bill originate in an interim committee? ____ Yes ____ No

Committee _____ Report _____

HOUSE BILL NO. 641

INTRODUCED BY FOSTER, GILBERT, HARRINGTON, DOLEZAL, KELLER, MCCARTHY, ANDERSON, ORR, T. NELSON, M. HANSON, FELAND, TUNBY, MCCAFFREE, BOHLINGER, DRISCOLL, HIBBARD
BY REQUEST OF THE HOUSE TAXATION COMMITTEE

IN THE HOUSE

FEBRUARY 17, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
MARCH 2, 1993	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 3, 1993	PRINTING REPORT.
MARCH 4, 1993	SECOND READING, DO PASS.
MARCH 5, 1993	ENGROSSING REPORT.
MARCH 8, 1993	THIRD READING, PASSED. AYES, 98; NOES, 0.
MARCH 9, 1993	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 10, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
	FIRST READING.
APRIL 2, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
APRIL 3, 1993	SECOND READING, CONCURRED IN.
APRIL 5, 1993	THIRD READING, CONCURRED IN. AYES, 50; NOES, 0.
	RETURNED TO HOUSE.

IN THE HOUSE

APRIL 6, 1993	RECEIVED FROM SENATE.
	SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

LC 1559/01

House BILL NO. 641

INTRODUCED BY Foster Gilbert Harrington

BY REQUEST OF THE HOUSE TAXATION COMMITTEE ORR

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THAT TAX REVENUE MUST BE DISTRIBUTED ACCORDING TO THE STATUTE GOVERNING ALLOCATION OF THE TAX THAT WAS IN EFFECT FOR THE PERIOD THE TAX REVENUE WAS RECORDED FOR ACCOUNTING PURPOSES; SPECIFYING THAT TAX REVENUE MUST BE RECORDED AS PRESCRIBED BY THE DEPARTMENT OF ADMINISTRATION IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; AMENDING SECTIONS 15-1-501, 15-23-716, 15-25-122, 15-31-702, 15-35-108, 15-36-112, 15-36-126, 15-37-117, 15-38-106, 15-38-136, 15-51-103, 15-53-114, 15-59-108, 15-59-208, 15-60-210, 15-65-121, 15-65-136, 15-70-101, 15-71-104, 16-1-306, 16-1-401, 16-1-404, 16-1-408, 16-1-410, 16-1-411, 16-1-421, 16-1-422, 16-1-423, 16-11-119, 16-11-206, 23-5-610, 23-5-646, AND 39-71-2504, MCA; REPEALING SECTION 15-1-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-1-501, MCA, is amended to read:

"15-1-501. (Temporary) Disposition of money from certain designated license and other taxes. (1) The state treasurer shall deposit to the credit of the state general fund in accordance with the provisions of subsection (6) all money received by him from the collection of:

(a) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as provided in 61-5-121;

(b) electrical energy producer's license taxes under chapter 51;

(c) severance taxes allocated to the general fund under chapter 36;

(d) liquor license taxes under Title 16;

(e) telephone company license taxes under chapter 53; and

(f) inheritance and estate taxes under Title 72, chapter 16.

(2) All money received from the collection of income taxes under chapter 30 of this title must, in accordance with the provisions of subsection (6), be deposited as follows:

(a) 62.8% of the taxes to the credit of the state general fund;

(b) 8.7% of the taxes to the credit of the debt service account for long-range building program bonds as described in 17-5-408;

(c) 28.5% of the taxes to the credit of the state

special revenue fund for state equalization aid to the public schools of Montana as described in 20-9-343; and

(d) all interest and penalties to the credit of the state general fund.

(3) All money received from the collection of corporation license and income taxes under chapter 31 of this title, except as provided in 15-31-702, must, in accordance with the provisions of subsection (6), be deposited as follows:

(a) 61% of the taxes to the credit of the state general fund;

(b) 10.5% of the taxes to the credit of the debt service account for long-range building program bonds as described in 17-5-408;

(c) 28.5% of the taxes to the credit of the state special revenue fund for state equalization aid to the public schools of Montana as described in 20-9-343; and

(d) all interest and penalties to the credit of the state general fund.

(4) The state treasurer shall also deposit to the credit of the state general fund all money received by-him from the collection of license taxes, fees, and all net revenues and receipts from all other sources under the operation of the Montana Alcoholic Beverage Code.

(5) After the distribution provided for in 15-36-112,

the remainder of the oil severance tax collections must be deposited in the general fund.

(6) Notwithstanding any other provision of law, the distribution of tax revenue must be made according to the provisions of the law governing allocation of the tax that were in effect for the period in which the tax revenue was recorded for accounting purposes. Tax revenue must be recorded as prescribed by the department of administration, pursuant to 17-1-102(2) and (5), in accordance with generally accepted accounting principles.

~~(6)~~(7) All refunds of taxes must be attributed to the funds in which the taxes are deposited. All refunds of interest and penalties must be attributed to the funds in which the interest and penalties are deposited.

15-1-501. (Effective July 1, 1993) Disposition of money from certain designated license and other taxes. (1) The state treasurer shall deposit to the credit of the state general fund in accordance with the provisions of subsection (6) all money received by-him from the collection of:

(a) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as provided in 61-5-121;

(b) electrical energy producer's license taxes under chapter 51;

(c) severance taxes allocated to the general fund under

chapter 36;

(d) liquor license taxes under Title 16;

(e) telephone company license taxes under chapter 53; and

(f) inheritance and estate taxes under Title 72, chapter 16.

(2) All money received from the collection of income taxes under chapter 30 of this title must, in accordance with the provisions of subsection (6), be deposited as follows:

(a) 59.5% of the taxes to the credit of the state general fund;

(b) 8.7% of the taxes to the credit of the debt service account for long-range building program bonds as described in 17-5-408;

(c) 31.8% of the taxes to the credit of the state special revenue fund for state equalization aid to the public schools of Montana as described in 20-9-343; and

(d) all interest and penalties to the credit of the state general fund.

(3) All money received from the collection of corporation license and income taxes under chapter 31 of this title, except as provided in 15-31-702, must, in accordance with the provisions of subsection (6), be deposited as follows:

(a) 61% of the taxes to the credit of the state general fund;

(b) 10.5% of the taxes to the credit of the debt service account for long-range building program bonds as described in 17-5-408;

(c) 28.5% of the taxes to the credit of the state special revenue fund for state equalization aid to the public schools of Montana as described in 20-9-343; and

(d) all interest and penalties to the credit of the state general fund.

(4) The state treasurer shall also deposit to the credit of the state general fund all money received ~~by--him~~ from the collection of license taxes, fees, and all net revenues and receipts from all other sources under the operation of the Montana Alcoholic Beverage Code.

(5) After the distribution provided for in 15-36-112, the remainder of the oil severance tax collections must be deposited in the general fund.

(6) Notwithstanding any other provision of law, the distribution of tax revenue must be made according to the provisions of the law governing allocation of the tax that were in effect for the period in which the tax revenue was recorded for accounting purposes. Tax revenue must be recorded as prescribed by the department of administration, pursuant to 17-1-102(2) and (5), in accordance with

generally accepted accounting principles.

(7)~~(6)~~ All refunds of taxes must be attributed to the funds in which the taxes are deposited. All refunds of interest and penalties must be attributed to the funds in which the interest and penalties are deposited."

Section 2. Section 15-23-716, MCA, is amended to read:

"15-23-716. (Temporary) Surtax -- distribution. (1) Each person required to pay the coal gross proceeds tax under this part shall pay, in addition to the tax liability determined under 15-23-703, a surtax of 7% of the tax liability.

(2) Notwithstanding the provisions of 15-23-707, the money received from county treasurers from the surtax collected under this section must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the state general fund."

Section 3. Section 15-25-122, MCA, is amended to read:

"15-25-122. Disposition of proceeds. (1) The department shall, in accordance with the provisions of 15-1-501(6), transfer all taxes collected pursuant to this chapter, less the administrative fee authorized in 15-25-111(1), to the state treasurer on a monthly basis.

(2) The state treasurer shall deposit one-third of the tax to the credit of the department of family services to be used for the youth evaluation program and chemical abuse

aftercare programs.

(3) The treasurer shall credit the remaining two-thirds of the tax proceeds as follows:

(a) one-half to the department of justice to be used:

(i) for grants to youth courts to fund chemical abuse assessments; and

(ii) for grants to counties to fund services for the detention of juvenile offenders in facilities separate from adult jails, as authorized in 41-5-1002; and

(b) one-half to the account created by 44-12-206(3) if a state government law enforcement agency seized the drugs. If a local government law enforcement agency seized the drugs, then that amount must be credited to the treasurer or finance officer of the local government, be deposited in its general fund, and be used to enforce drug laws."

Section 4. Section 15-31-702, MCA, is amended to read:

"15-31-702. Distribution of corporation license taxes collected from banks or savings and loan associations. (1) All corporation license taxes, interest, and penalties collected from banks and savings and loan associations must, in accordance with the provisions of 15-1-501(6), be distributed in the following manner:

(a) 20% must be remitted to the state treasurer to be allocated as provided in 15-1-501(3); and

(b) 80% is statutorily appropriated, as provided in

17-7-502, for allocation to the various taxing jurisdictions within the county in which the bank or savings and loan association is located.

(2) The corporation license taxes, interest, and penalties distributed under subsection (1)(b) must be allocated to each taxing jurisdiction in the proportion that its mill levy for that fiscal year bears to the total mill levy of the taxing authorities of the district in which the bank or savings and loan association is located.

(3) "Taxing jurisdictions" means, for the purposes of this section, all taxing authorities within a county permitted under state law to levy mills against the taxable value of property in the taxing district in which the bank or savings and loan association is located.

(4) If a return filed by a bank or savings and loan association involves branches or offices in more than one taxing jurisdiction, the department of revenue shall provide a method by rule for equitable distribution among those taxing jurisdictions."

Section 5. Section 15-35-108, MCA, is amended to read:

"15-35-108. (Temporary) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501(6), be allocated ~~according to the provisions in effect on the date the tax is due under 15-35-104. Severance taxes collected under the~~

~~provisions of this chapter are allocated~~ as follows:

(1) To the trust fund created by Article IX, section 5, of the Montana constitution, 50% of total coal severance tax collections. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Starting July 1, 1992, and ending June 30, 1993, 12% of coal severance tax collections are allocated to the general fund.

(3) Coal severance tax collections remaining after the allocations provided by subsections (1) and (2) are allocated in the following percentages of the remaining balance:

(a) 17 1/2% to the credit of the local impact account. Unencumbered funds remaining in the local impact account at the end of each biennium are allocated to the state special revenue fund for state equalization aid to public schools of the state.

(b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

(c) 1% to the state special revenue fund to the credit of the county land planning account;

(d) 1 1/4% to the credit of the renewable resource development bond fund;

(e) 0% to a nonexpendable trust fund for the purpose of

parks management. Income from this trust fund must be appropriated for the development, operation, and maintenance of any sites and areas described in 23-1-102.

(f) 1% to the state special revenue fund to the credit of the state library commission for the purposes of providing basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking;

(g) 1/2 of 1% to the state special revenue fund for conservation districts;

(h) 1 1/4% to the debt service fund type to the credit of the water development debt service fund;

(i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

(j) 1 2/3% to the Montana arts council, to be allocated as follows:

(i) 42 1/2% for operating costs; and

(ii) 57 1/2% to a nonexpendable trust fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. Income from this trust fund shall be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(k) beginning July 1, 1991, and ending June 30, 1993, 3 1/3% to a special revenue account to be used by the

department of fish, wildlife, and parks for the development, operation, and maintenance of state parks and the stabilization and preservation of historic sites within the state park system;

(l) all other revenues from severance taxes collected under the provisions of this chapter to the credit of the general fund of the state. (Terminates June 30, 1993--sec. 3, Ch. 615, L. 1991, and sec. 3, Ch. 8, Sp. L. January 1992.)

15-35-108. (Effective July 1, 1993) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501(6), be allocated ~~according--to-the-provisions-in effect-on-the-date-the-tax-is-due-under-15-35-104.--Severance taxes-collected-under-the-provisions--of--this--chapter--are allocated~~ as follows:

(1) To the trust fund created by Article IX, section 5, of the Montana constitution, 50% of total coal severance tax collections. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Starting July 1, 1987, and ending June 30, 2003, 12% of coal severance tax collections are allocated to the highway reconstruction trust fund account in the state special revenue fund.

(3) Coal severance tax collections remaining after allocation to the trust fund under subsection (1) are allocated in the following percentages of the remaining balance:

(a) 17 1/2% to the credit of the local impact account. Unencumbered funds remaining in the local impact account at the end of each biennium are allocated to the state special revenue fund for state equalization aid to public schools of the state.

(b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

(c) 1% to the state special revenue fund to the credit of the county land planning account;

(d) 1 1/4% to the credit of the renewable resource development bond fund;

(e) 3 1/3% to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(f) 1% to the state special revenue fund to the credit of the state library commission for the purposes of providing basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking;

(g) 1/2 of 1% to the state special revenue fund for conservation districts;

(h) 1 1/4% to the debt service fund type to the credit of the water development debt service fund;

(i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

(j) 1 2/3% to a nonexpendable trust fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. Income from this trust fund shall be appropriated for protection of works of art in the state capitol and other cultural and aesthetic projects.

(k) all other revenues from severance taxes collected under the provisions of this chapter to the credit of the general fund of the state. (Terminates July 1, 2003--sec. 4, Ch. 191, L. 1991.)

15-35-108. (Effective July 1, 2003) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501(6), be allocated ~~according--to-the-provisions-in effect-on-the-date-the-tax-is-due-under-15-35-104.--Severance taxes-collected-under-the-provisions--of--this--chapter--are allocated~~ as follows:

(1) To the trust fund created by Article IX, section 5, of the Montana constitution, 50% of total coal severance tax

collections. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Coal severance tax collections remaining after allocation to the trust fund under subsection (1) are allocated in the following percentages of the remaining balance:

(a) 17 1/2% to the credit of the local impact account. Unencumbered funds remaining in the local impact account at the end of each biennium are allocated to the state special revenue fund for state equalization aid to public schools of the state.

(b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

(c) 1% to the state special revenue fund to the credit of the county land planning account;

(d) 1 1/4% to the credit of the renewable resource development bond fund;

(e) 3 1/3% to a nonexpendable trust fund for the purpose of parks acquisition or management. Income from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(f) 1% to the state special revenue fund to the credit of the state library commission for the purposes of

providing basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking;

(g) 1/2 of 1% to the state special revenue fund for conservation districts;

(h) 1 1/4% to the debt service fund type to the credit of the water development debt service fund;

(i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

(j) 1 2/3% to a nonexpendable trust fund for the purpose of protection of works of art in the state capitol and for other cultural and aesthetic projects. Income from this trust fund shall be appropriated for protection of works of art in the state capitol and other cultural and aesthetic projects.

(k) all other revenues from severance taxes collected under the provisions of this chapter to the credit of the general fund of the state."

Section 6. Section 15-36-112, MCA, is amended to read:

"15-36-112. Disposition of oil and gas state and local government severance taxes -- calculation of unit value for local government severance tax. (1) Each year the department of revenue shall determine the amount of tax collected under this chapter from within each taxing unit.

(2) For purposes of the distribution of local

government severance taxes collected under this chapter, the department shall determine the unit value of oil and gas for each taxing unit as follows:

(a) The unit value for petroleum and other mineral or crude oil for each taxing unit is the quotient obtained by dividing the net proceeds taxes calculated on petroleum or mineral or crude oil produced in that taxing unit in calendar year 1988 by the number of barrels of petroleum or other mineral or crude oil produced in that taxing unit during 1988, excluding new and interim production.

(b) The unit value for natural gas is the quotient obtained by dividing the net proceeds taxes calculated on natural gas produced in that taxing unit in calendar year 1988 by the number of cubic feet of natural gas produced in that taxing unit during 1988, excluding new and interim production.

(3) The state and local government severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501(6), are be allocated as follows:

(a) The local government severance tax is statutorily appropriated, as provided in 17-7-502, for allocation to the county for distribution as provided in subsection (4);

(b) The state severance tax is allocated to the state general fund.

(4) (a) For the purpose of distribution of the local

government severance tax, the department shall adjust the unit value determined under this section according to the ratio that the local government severance taxes collected during the quarters to be distributed plus accumulated interest earned by the state and penalties and interest on delinquent local government severance taxes bears to the total liability for local government severance taxes for the quarters to be distributed. The taxes must be calculated and distributed as follows:

(i) By November 30 of each year, the department shall calculate and distribute to each eligible county the amount of local government severance tax, determined by multiplying unit value as adjusted in this subsection (4)(a) times the units of production on which the local government severance tax was owed during the calendar quarters ending March 31 and June 30 of the preceding calendar year.

(ii) By May 31 of each year, the department shall calculate and distribute to each eligible county the amount of local government severance tax, determined by multiplying unit value as adjusted in this subsection (4)(a) times the units of production on which the local government severance tax was owed during the 2 calendar quarters immediately following those quarters referred to in subsection (4)(a)(i).

(b) Any amount by which the total tax liability exceeds

or is less than the total distributions determined in subsections (4)(a)(i) and (4)(a)(ii) must be calculated and distributed in the following manner:

(i) The excess amount or shortage must be divided by the total distribution determined for that period to obtain an excess or shortage percentage.

(ii) The excess percentage must be multiplied by the distribution to each taxing unit, and this amount must be added to the distribution to each respective taxing unit.

(iii) The shortage percentage must be multiplied by the distribution to each taxing unit, and this amount must be subtracted from the distribution to each respective taxing unit.

(5) Except as provided in subsection (6), the county treasurer shall distribute the money received under subsection (4) to the taxing units that levied mills in fiscal year 1990 against calendar year 1988 production in the same manner that all other property tax proceeds were distributed during fiscal year 1990 in the taxing unit, except that no a distribution may not be made to a municipal taxing unit.

(6) The board of county commissioners of a county may direct the county treasurer to reallocate the distribution of local government severance tax money that would have gone to a taxing unit, as provided in subsection (5), to another

taxing unit or taxing units, other than an elementary school or high school, within the county under the following conditions:

(a) The county treasurer shall first allocate the ‡local government severance‡ taxes to the taxing units within the county in the same proportion that all other property tax proceeds were distributed in the county in fiscal year 1990.

(b) If the allocation in subsection (6)(a) exceeds the total budget for a taxing unit, the commissioners may direct the county treasurer to allocate the excess to any taxing unit within the county.

(7) The board of trustees of an elementary or high school district may reallocate the ‡local government severance‡ taxes distributed to the district by the county treasurer under the following conditions:

(a) The district shall first allocate the ‡local government severance‡ taxes to the budgeted funds of the district in the same proportion that all other property tax proceeds were distributed in the district in fiscal year 1990.

(b) If the allocation under subsection (7)(a) exceeds the total budget for a fund, the trustees may allocate the excess to any budgeted fund of the school district."

Section 7. Section 15-36-126, MCA, is amended to read:

"15-36-126. (Temporary) Surtax. (1) Each person required to pay the severance tax under this chapter on oil and gas production, other than production from a stripper well, shall pay, in addition to the tax liability computed as required in 15-36-101 and 15-36-121, a surtax of 7% of the tax liability.

(2) The additional tax must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the state general fund."

Section 8. Section 15-37-117, MCA, is amended to read:

"15-37-117. (Temporary) Disposition of metalliferous mines license taxes. (1) Except as provided in subsection (4), metalliferous mines license taxes collected under the provisions of this part are must, in accordance with the provisions of 15-1-501(6), be allocated as follows:

(a) to the credit of the general fund of the state, 58% of total collections each year;

(b) to the state special revenue fund to the credit of a hard-rock mining impact trust account, 1.5% of total collections each year;

(c) to the state resource indemnity trust fund, 15.5% of total collections each year;

(d) to the county or counties identified as experiencing fiscal and economic impacts, resulting in increased employment or local government costs, under an

impact plan for a large-scale mineral development prepared and approved pursuant to 90-6-307, in direct proportion to the fiscal and economic impacts determined in the plan or, if no an impact plan has not been prepared, to the county in which the mine is located, 25% of total collections each year, to be allocated by the county commissioners as follows:

(i) not less than 40% to the county hard-rock mine trust reserve account established in 7-6-2225; and

(ii) all money not allocated to the account pursuant to subsection (1)(d)(i) to be further allocated as follows:

(A) 33 1/3% is allocated to the county for planning or economic development activities;

(B) 33 1/3% is allocated to the elementary school districts within the county that have been affected by the development or operation of the metal mine; and

(C) 33 1/3% is allocated to the high school districts within the county that have been affected by the development or operation of the metal mine.

(2) When an impact plan for a large-scale mineral development approved pursuant to 90-6-307 identifies a jurisdictional revenue disparity, the county shall distribute the proceeds allocated under subsection (1)(d) in a manner similar to that provided for property tax sharing under Title 90, chapter 6, part 4.

(3) The department shall return to the county in which metals are produced the tax collections allocated under subsection (1)(d). The allocation to the county described by subsection (1)(d) is a statutory appropriation pursuant to 17-7-502.

(4) The proceeds of the surtax collected under 15-37-126 must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the general fund.

15-37-117. (Effective on receipt of taxes on production occurring prior to January 1, 1993) Disposition of metalliferous mines license taxes. (1) Metalliferous mines license taxes collected under the provisions of this part are must, in accordance with the provisions of 15-1-501(6), be allocated as follows:

(a) to the credit of the general fund of the state, 58% of total collections each year;

(b) to the state special revenue fund to the credit of a hard-rock mining impact trust account, 1.5% of total collections each year;

(c) to the state resource indemnity trust fund, 15.5% of total collections each year;

(d) to the county or counties identified as experiencing fiscal and economic impacts, resulting in increased employment or local government costs, under an impact plan for a large-scale mineral development prepared

and approved pursuant to 90-6-307, in direct proportion to the fiscal and economic impacts determined in the plan or, if no an impact plan has not been prepared, to the county in which the mine is located, 25% of total collections each year, to be allocated by the county commissioners as follows:

(i) not less than 40% to the county hard-rock mine trust reserve account established in 7-6-2225; and

(ii) all money not allocated to the account pursuant to subsection (1)(d)(i) to be further allocated as follows:

(A) 33 1/3% is allocated to the county for planning or economic development activities;

(B) 33 1/3% is allocated to the elementary school districts within the county that have been affected by the development or operation of the metal mine; and

(C) 33 1/3% is allocated to the high school districts within the county that have been affected by the development or operation of the metal mine.

(2) When an impact plan for a large-scale mineral development approved pursuant to 90-6-307 identifies a jurisdictional revenue disparity, the county shall distribute the proceeds allocated under subsection (1)(d) in a manner similar to that provided for property tax sharing under Title 90, chapter 6, part 4.

(3) The department shall return to the county in which

metals are produced the tax collections allocated under subsection (1)(d). The allocation to the county described by subsection (1)(d) is a statutory appropriation pursuant to 17-7-502."

Section 9. Section 15-38-106, MCA, is amended to read:

"15-38-106. (Temporary) Payment of tax -- records -- collection of taxes -- refunds. (1) The tax imposed by this chapter ~~shall~~ must be paid by each person to which the tax applies, on or before March 31, on the value of product in the year preceding January 1 of the year in which the tax is paid. The tax ~~shall~~ must be paid to the department at the time the statement of yield for the preceding calendar year is filed with the department.

(2) The department shall, in accordance with the provisions of 15-1-501(6), deposit the proceeds of the tax in the resource indemnity trust fund of the nonexpendable trust fund type. Every person to whom the tax applies shall keep records in accordance with 15-38-105, and the records are subject to inspection by the department upon reasonable notice during normal business hours.

(3) The department shall examine the statement and compute the taxes thereon to be imposed, and the amount computed by the department ~~shall--be~~ is the taxes tax imposed, assessed against, and payable by the taxpayer. If the tax found to be due is greater than the amount paid, the

excess ~~shall~~ must be paid by the taxpayer to the department within 30 days after written notice of the amount of deficiency is mailed by the department to the taxpayer. If the tax imposed is less than the amount paid, the difference must be applied as a tax credit against tax liability for subsequent years or refunded if requested by the taxpayer.

15-38-106. (Effective July 1, 1993) Payment of tax -- records -- collection of taxes -- refunds. (1) The tax imposed by this chapter ~~shall~~ must be paid by each person to which the tax applies, on or before March 31, on the value of product in the year preceding January 1 of the year in which the tax is paid. The tax ~~shall~~ must be paid to the department at the time the statement of yield for the preceding calendar year is filed with the department.

(2) The department shall, in accordance with the provisions of 15-1-501(6), deposit the proceeds of the tax in the resource indemnity trust fund of the nonexpendable trust fund type, except that 14.1% of the proceeds must be deposited in the ground water assessment account established by 85-2-905. Every person to whom the tax applies shall keep records in accordance with 15-38-105, and the records are subject to inspection by the department upon reasonable notice during normal business hours.

(3) The department shall examine the statement and compute the taxes thereon to be imposed, and the amount

computed by the department ~~shall--be~~ is the ~~taxes~~ tax imposed, assessed against, and payable by the taxpayer. If the tax found to be due is greater than the amount paid, the excess ~~shall~~ must be paid by the taxpayer to the department within 30 days after written notice of the amount of deficiency is mailed by the department to the taxpayer. If the tax imposed is less than the amount paid, the difference must be applied as a tax credit against tax liability for subsequent years or refunded if requested by the taxpayer."

Section 10. Section 15-38-136, MCA, is amended to read:

"15-38-136. (Temporary) Surtax. (1) Each person required to pay the resource indemnity trust tax under this part shall pay, in addition to the tax liability computed as required in 15-38-104, a surtax of 7% of the tax liability.

(2) The additional tax must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the state general fund."

Section 11. Section 15-51-103, MCA, is amended to read:

"15-51-103. Disposition of revenue -- interest on delinquency. The department of revenue shall, in accordance with the provisions of 15-1-501(6), ~~receipt--therefor--and~~ promptly ~~turn-the-same-over~~ remit the collected taxes to the state treasurer. Taxes not ~~met~~ paid on the due date ~~shall~~ become are delinquent, and a penalty of 10% plus interest at the rate of 1% per month or fraction of a month computed on

the total of tax and penalty ~~shall~~ must be charged."

Section 12. Section 15-53-114, MCA, is amended to read:

"15-53-114. Disposal of license taxes. License taxes collected under this chapter ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be credited to the general fund of the state."

Section 13. Section 15-59-108, MCA, is amended to read:

"15-59-108. Deposit of taxes. All license taxes collected under the provisions of this part ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the general fund of the state."

Section 14. Section 15-59-208, MCA, is amended to read:

"15-59-208. Deposit of license taxes. All license taxes collected under the provisions of this part ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the general fund of the state."

Section 15. Section 15-60-210, MCA, is amended to read:

"15-60-210. Disposition of fee. All proceeds from the collection of utilization fees, including penalties and interest, must, in accordance with the provisions of 15-1-501(6), be deposited in the state general fund."

Section 16. Section 15-65-121, MCA, is amended to read:

"15-65-121. Distribution of tax proceeds -- general fund loan authority. (1) The proceeds of the tax imposed by 15-65-111 must, in accordance with the provisions of

15-1-501(6), be deposited in an account in the state special revenue fund to the credit of the department of revenue. The department may spend from that account in accordance with an expenditure appropriation by the legislature based on an estimate of the costs of collecting and disbursing the proceeds of the tax. Before allocating the balance of the tax proceeds in accordance with the provisions of 15-1-501(6) and as provided in subsections (1)(a) through (1)(c), the department shall determine the expenditures by state agencies for in-state lodging for each reporting period and deduct 4% of that amount from the tax proceeds received each reporting period. The amount deducted must be deposited in the general fund. The balance of the tax proceeds received each reporting period and not deducted pursuant to the expenditure appropriation or deposited in the general fund is statutorily appropriated, as provided in 17-7-502, and must be transferred to an account in the state special revenue fund to the credit of the department of commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials, to the Montana historical society, and to the university system, as follows:

(a) 1% to the Montana historical society to be used for the installation or maintenance of roadside historical signs and historic sites;

(b) 2.5% to the university system for the establishment and maintenance of a Montana travel research program; and

(c) the balance of the proceeds as follows:

(i) 75% to be used directly by the department of commerce;

(ii) except as provided in subsection (1)(c)(iii), 25% to be distributed by the department to regional nonprofit tourism corporations in the ratio of the proceeds collected in each tourism region to the total proceeds collected statewide;

(iii) if 25% of the proceeds collected annually within the limits of a city or consolidated city-county exceeds $35,000, 50% of the amount available for distribution to the regional nonprofit tourism corporation in the region where the city or consolidated city-county is located is to be distributed to the nonprofit convention and visitors bureau in that city or consolidated city-county.

(2) If a city or consolidated city-county qualifies under this section for funds but fails to either recognize a nonprofit convention and visitors bureau or submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds must be allocated to the regional nonprofit tourism corporation in the region in which the city or consolidated city-county is located.

(3) If a regional nonprofit tourism corporation fails

to submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds otherwise allocated to the regional nonprofit tourism corporation may be used by the department of commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.

(4) The department of commerce may use general fund loans for efficient implementation of this section."

Section 17. Section 15-65-136, MCA, is amended to read:

"15-65-136. (Temporary) Additional tax -- allocation. (1) An additional tax is imposed on the user of a facility at a rate equal to 0.28% of the accommodation charge collected by the facility.

(2) The additional tax must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the state general fund."

Section 18. Section 15-70-101, MCA, is amended to read:

"15-70-101. Disposition of funds. All taxes, interest, and penalties collected under this chapter, except those collected by a justice's court, must, in accordance with the provisions of 15-1-501(6), be turned over promptly to the state treasurer, who shall place the money in the state special revenue fund to the credit of the department of transportation. Those funds allocated to cities, towns, and counties in this section must, in accordance with the

provisions of 15-1-501(6), be paid by the department of transportation from the state special revenue fund to the cities, towns, and counties.

(1) $14,000,000 of the funds collected under this chapter, except those collected by a justice's court, is statutorily appropriated, as provided in 17-7-502, to the department of transportation and must be allocated each fiscal year on a monthly basis to the counties and incorporated cities and towns in Montana for construction, reconstruction, maintenance, and repair of rural roads and city or town streets and alleys, as provided in subsections (1)(a) through (1)(c):

(a) $54,000 must be designated for the purposes and functions of the Montana rural technical assistance transportation program in Bozeman;

(b) $6,323,000 must be divided among the various counties in the following manner:

(i) 40% in the ratio that the rural road mileage in each county, exclusive of the federal-aid interstate system and the federal-aid primary system, bears to the total rural road mileage in the state, exclusive of the federal-aid interstate system and the federal-aid primary system;

(ii) 40% in the ratio that the rural population in each county outside incorporated cities and towns bears to the total rural population in the state outside incorporated

cities and towns;

(iii) 20% in the ratio that the land area of each county bears to the total land area of the state;

(c) $7,623,000 must be divided among the incorporated cities and towns in the following manner:

(i) 50% of the sum in the ratio that the population within the corporate limits of the city or town bears to the total population within corporate limits of all the cities and towns in Montana;

(ii) 50% in the ratio that the city or town street and alley mileage, exclusive of the federal-aid interstate system and the federal-aid primary system, within corporate limits bears to the total street and alley mileage, exclusive of the federal-aid interstate system and federal-aid primary system, within the corporate limits of all cities and towns in Montana.

(2) All funds allocated by this section to counties, cities, and towns must be used for the construction, reconstruction, maintenance, and repair of rural roads or city or town streets and alleys or for the share that the city, town, or county might otherwise expend for proportionate matching of federal funds allocated for the construction of roads or streets that are part of the federal-aid primary or secondary highway system or urban extensions to those systems, except that the governing body

of a town or third-class city, as defined in 7-1-4111, may each year expend no more than 25% of the funds allocated to that town or third-class city for the purchase of capital equipment and supplies to be used for the maintenance and repair of town or third-class city streets and alleys.

(3) All funds allocated by this section to counties, cities, and towns must be disbursed to the lowest responsible bidder according to applicable bidding procedures followed in all cases in which the contract for construction, reconstruction, maintenance, or repair is in excess of $4,000.

(4) For the purposes of this section in which distribution of funds is made on a basis related to population, the population must be determined by the ~~last~~ preceding official federal census.

(5) For the purposes of this section in which determination of mileage is necessary for distribution of funds, it is the responsibility of the cities, towns, and counties to furnish to the department of transportation a yearly certified statement indicating the total mileage within their respective areas applicable to this chapter. All mileage submitted is subject to review and approval by the department of transportation.

(6) Except by a town or third-class city as provided in subsection (2), the funds authorized by this section may not

be used for the purchase of capital equipment.

(7) Funds authorized by this section must be used for construction and maintenance programs only."

Section 19. Section 15-71-104, MCA, is amended to read:

"15-71-104. Disposition of funds. All taxes collected under this chapter ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be turned over promptly to the state treasurer and the state treasurer shall place the same taxes in the state special revenue fund to the credit of the department of transportation."

Section 20. Section 16-1-306, MCA, is amended to read:

"16-1-306. Revenue to be paid to state treasurer. Except as provided in 16-1-404, 16-1-405, 16-1-408, 16-1-410, and 16-1-411, all fees, charges, taxes, and revenues collected by or under authority of the department ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be deposited with the state treasurer. ~~He~~ The state treasurer shall deposit the funds to the credit of the state general fund."

Section 21. Section 16-1-401, MCA, is amended to read:

"16-1-401. Liquor excise tax. (1) The department ~~is hereby authorized and directed to charge, receive, and~~ shall collect at the time of the sale and delivery of any liquor as authorized under any provision of the laws of the state of Montana an excise tax at the rate of:

(a) 16% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section;

(b) 13.8% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section.

(2) The department shall retain the amount of ~~such~~ the excise tax received in a separate account and shall, in accordance with the provisions of 15-1-501(6), deposit with the state treasurer, to the credit of the general fund, ~~such~~ the sums collected and received not later than the 10th day of each ~~and every~~ month."

Section 22. Section 16-1-404, MCA, is amended to read:

"16-1-404. License tax on liquor -- amount -- distribution of proceeds. (1) The department ~~is hereby authorized and directed to charge, receive, and~~ shall collect at the time of sale and delivery of any liquor under any provisions of the laws of the state of Montana a license tax of:

(a) 10% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section;

(b) 8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax pursuant to this section.

(2) The license tax ~~shall~~ must be charged and collected on all liquor brought into the state and taxed by the department. The retail selling price ~~shall~~ must be computed by adding to the cost of ~~said~~ the liquor the state markup as designated by the department. The license tax ~~shall~~ must be figured in the same manner as the state excise tax and ~~shall~~ be is in addition to ~~said~~ the state excise tax. The department shall retain in a separate account the amount of the license tax so received. Thirty percent of these revenues are statutorily appropriated, as provided in 17-7-502, to the department and ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be allocated to the counties according to the amount of liquor purchased in each

county to be distributed to the incorporated cities and towns, as provided in subsection (3). Four and one-half percent of these revenues are statutorily appropriated, as provided in 17-7-502, and ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be allocated to the counties according to the amount of liquor purchased in each county, and this money may be used for county purposes. The remaining revenues ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be deposited in the state special revenue fund to the credit of the department of corrections and human services for the treatment, rehabilitation, and prevention of alcoholism. ~~Provided, however, in~~ In the case of purchases of liquor by a retail liquor licensee for use in ~~his~~ the licensee's business, the department shall make such regulations as are necessary to apportion that proportion of license tax so generated to the county where the licensed establishment is located, for use as provided in 16-1-405. That proportion of the license tax is statutorily appropriated, as provided in 17-7-502, to the department, which shall pay quarterly to each county treasurer the proportion of the license tax due each county, in accordance with the provisions of 15-1-501(6), to be allocated to the incorporated cities and towns of the county.

(3) The license tax proceeds allocated to the county

under subsection (2) for use by cities and towns ~~shall~~ must be distributed by the county treasurer to the incorporated cities and towns within 30 days of receipt from the department. The distribution of funds to the cities and towns ~~shall~~ must be based on the proportion that the gross sale of liquor in each city or town is to the gross sale of liquor in all of the cities and towns of the county.

(4) The license tax proceeds that are allocated to the department of corrections and human services for the treatment, rehabilitation, and prevention of alcoholism ~~shall~~ must be credited quarterly to the department of corrections and human services. The legislature may appropriate a portion of the license tax proceeds to support alcohol programs. The remainder ~~shall~~ must be distributed as provided in 53-24-206."

Section 23. Section 16-1-408, MCA, is amended to read:

"16-1-408. Additional tax. An additional tax of $1.30 per barrel is levied and imposed as provided by 16-1-406. One dollar of ~~this~~ the additional tax ~~is--to~~ must, in accordance with the provisions of 15-1-501(6), be deposited, notwithstanding 16-1-306 and 16-1-410 or any other provision, with the state treasurer to the credit of the department of corrections and human services each quarter for the treatment, rehabilitation, and prevention of alcoholism as approved by the state, and 30 cents of ~~this~~ the additional tax ~~is-to~~ must be deposited in the general fund."

Section 24. Section 16-1-410, MCA, is amended to read:

"16-1-410. (Temporary) Tax revenue allocation. Subject to 16-1-422, all revenue received from taxes on beer under 16-1-406 and 16-1-408 over and above $1.50 per barrel of 31 gallons ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be deposited with the state treasurer to the credit of the incorporated cities and towns beer tax account in the state special revenue fund. The money in the account is statutorily appropriated, as provided in 17-7-502, to the state treasurer who shall, monthly, distribute this amount of money to the incorporated cities and towns in the direct proportion that the population of each city and town bears to the total population of all incorporated cities and towns as shown in the latest official federal census. For cities and towns incorporated after the latest official federal census, the census ~~shall~~ must be determined as of the date of incorporation as evidenced by the certificate of the incorporating officials of that city or town. If a city or town disincorporates, it may not receive any funds under this section and the amount previously distributed to the city or town ~~shall~~ must be distributed to the remaining incorporated cities and towns. All funds received by cities and towns under this section ~~shall~~ must be expended for

state purposes such as law enforcement, maintenance of the transportation system, and public health.

16-1-410. (Effective on receipt of taxes or fees for September 1993) Tax revenue allocation. All revenue received from taxes on beer under 16-1-406 and 16-1-408 over and above $1.50 per barrel of 31 gallons ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be deposited with the state treasurer to the credit of the incorporated cities and towns beer tax account in the state special revenue fund. The money in the account is statutorily appropriated, as provided in 17-7-502, to the state treasurer who shall, monthly, distribute this amount of money to the incorporated cities and towns in the direct proportion that the population of each city and town bears to the total population of all incorporated cities and towns as shown in the latest official federal census. For cities and towns incorporated after the latest official federal census, the census ~~shall~~ must be determined as of the date of incorporation as evidenced by the certificate of the incorporating officials of that city or town. If a city or town disincorporates, it may not receive any funds under this section and the amount previously distributed to the city or town ~~shall~~ must be distributed to the remaining incorporated cities and towns. All funds received by cities and towns under this section ~~shall~~ must be expended for

state purposes such as law enforcement, maintenance of the transportation system, and public health."

Section 25. Section 16-1-411, MCA, is amended to read:

"16-1-411. (Temporary) Tax on wine. (1) A tax of 27 cents per liter is hereby levied and imposed on table wine imported by any table wine distributor or the department.

(2) (a) The tax on table wine imported by a table wine distributor ~~shall~~ must be paid by the table wine distributor by the 15th day of the month following sale of the table wine from the table wine distributor's warehouse. Failure to file a table wine tax return or failure to pay the tax required by this section subjects the table wine distributor to the penalties and interest provided for in 16-1-409.

(b) The tax on table wine imported by the department ~~shall~~ must be collected at the time of sale.

(3) The tax paid by a table wine distributor in accordance with subsection (2)(a) and the tax collected by the department in accordance with subsection (2)(b) ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be distributed as follows:

(a) 16 cents to the state general fund; and

(b) of the remaining 11 cents:

(i) 8.34 cents to the state special revenue fund to the credit of the department of corrections and human services for the treatment, rehabilitation, and prevention of

alcoholism;

(ii) 1 1/3 cents is statutorily appropriated, as provided in 17-7-502, to the department, for allocation to the counties, based on population, for the purpose established in 16-1-404; and

(iii) 1 1/3 cents is statutorily appropriated, as provided in 17-7-502, to the department, for allocation to the cities and towns, based on population, for the purpose established in 16-1-405.

(4) The taxes computed and paid in accordance with 16-1-423, 16-2-301, and this section ~~shall~~ must be the only taxes imposed by the state or any of its subdivisions, including cities and towns.

(5) The proceeds of the surtax imposed by 16-1-423 must be deposited in the state general fund.

16-1-411. (Effective on receipt of taxes or fees for September 1993) Tax on wine. (1) A tax of 27 cents per liter is hereby levied and imposed on table wine imported by any table wine distributor or the department.

(2) (a) The tax on table wine imported by a table wine distributor ~~shall~~ must be paid by the table wine distributor by the 15th day of the month following sale of the table wine from the table wine distributor's warehouse. Failure to file a table wine tax return or failure to pay the tax required by this section subjects the table wine distributor

to the penalties and interest provided for in 16-1-409.

(b) The tax on table wine imported by the department ~~shall~~ must be collected at the time of sale.

(3) The tax paid by a table wine distributor in accordance with subsection (2)(a) and the tax collected by the department in accordance with subsection (2)(b) ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be distributed as follows:

(a) 16 cents to the state general fund; and

(b) of the remaining 11 cents:

(i) 8.34 cents to the state special revenue fund to the credit of the department of corrections and human services for the treatment, rehabilitation, and prevention of alcoholism;

(ii) 1 1/3 cents is statutorily appropriated, as provided in 17-7-502, to the department, for allocation to the counties, based on population, for the purpose established in 16-1-404; and

(iii) 1 1/3 cents is statutorily appropriated, as provided in 17-7-502, to the department, for allocation to the cities and towns, based on population, for the purpose established in 16-1-405.

(4) The tax computed and paid in accordance with this section ~~shall~~ must be the only tax imposed by the state or any of its subdivisions, including cities and towns."

Section 26. Section 16-1-421, MCA, is amended to read:

"16-1-421. (Temporary) Surtax on liquor -- distribution. (1) In addition to the amount of tax liability determined under 16-1-401 through 16-1-403, each person subject to taxation under 16-1-401 through 16-1-403 shall pay, as a surtax, 7% of the tax liability.

(2) The surtax imposed by this section must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the state general fund."

Section 27. Section 16-1-422, MCA, is amended to read:

"16-1-422. (Temporary) Surtax on beer -- distribution. (1) After the amount of tax liability has been determined under 16-1-406 and 16-1-408, each wholesaler subject to taxation under this part shall pay, as a surtax, 7% of the tax liability.

(2) The surtax imposed by this section must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the state general fund."

Section 28. Section 16-1-423, MCA, is amended to read:

"16-1-423. (Temporary) Surtax on table wine -- distribution. (1) In addition to the amount of tax liability determined under 16-1-411, each table wine distributor subject to taxation under this part shall pay, as a surtax, 7% of the tax liability.

(2) The surtax imposed by this section must, in

accordance with the provisions of 15-1-501(6), be deposited to the credit of the state general fund."

Section 29. Section 16-11-119, MCA, is amended to read:

"16-11-119. (Temporary) Disposition of taxes -- retirement of bonds. (1) Except as provided in subsection (2), all money collected under the provisions of 16-11-111, less the expense of collecting the taxes, must, in accordance with the provisions of 15-1-501(6), be paid to the state treasurer and deposited as follows: 72.79% in the long-range building program fund in the debt service fund type and 27.21% in the long-range building program fund in the capital projects fund type.

(2) In fiscal year 1993, $1,133,624 is transferred from the long-range building program fund in the capital projects fund type to the general fund. (Terminates June 30, 1993--sec. 2, Ch. 3, Sp. L. July 1992.)

16-11-119. (Effective July 1, 1993) Disposition of taxes -- retirement of bonds. All ~~moneys~~ money collected under the provisions of 16-11-111, less the expense of collecting all the taxes levied, imposed, and assessed by ~~said~~ that section, ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be paid to the state treasurer and deposited as follows: 72.79% in the long-range building program fund in the debt service fund type and 27.21% in the long-range building program fund in the capital projects

fund type.

16-11-119. (Effective August 15, 1993) Disposition of taxes -- retirement of bonds. All ~~moneys~~ money collected under the provisions of 16-11-111, less the expense of collecting all the taxes levied, imposed, and assessed by ~~said~~ that section, ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be paid to the state treasurer and deposited as follows: 70.89% in the long-range building program fund in the debt service fund type and 29.11% in the long-range building program fund in the capital projects fund type."

Section 30. Section 16-11-206, MCA, is amended to read:

"16-11-206. Wholesaler's discount -- disposition of taxes. The taxes specified in this part that are paid by the wholesaler ~~shall~~ must be paid to the department in full less a 5% defrayment for ~~his~~ the wholesaler's collection and administrative expense and ~~shall~~ must, in accordance with the provisions of 15-1-501(6), be deposited by the department in the long-range building program debt service fund. Refunds of the tax paid ~~shall~~ must be made as provided in 15-1-503 in cases where the tobacco products purchased become unsalable."

Section 31. Section 23-5-610, MCA, is amended to read:

"23-5-610. (Temporary) Video gambling machine gross income tax -- records -- distribution -- quarterly statement

and payment. (1) A licensed operator issued a permit under this part shall pay to the department a video gambling machine tax of 15% of the gross income from each video gambling machine licensed under this part. A licensed operator may deduct from the gross income amounts equal to amounts stolen from machines if the amounts are not repaid by insurance and if a law enforcement agency investigated the theft.

(2) A licensed operator issued a permit under this part shall keep a record of the gross income from each machine in ~~such~~ the form as the department may require. The records must at all times during the business hours of the licensee be subject to inspection by the department.

(3) A licensed operator issued a permit under this part shall, within 15 days after the end of each quarter, complete and deliver to the department a statement showing the total gross income from each video gambling machine licensed to ~~him~~ the operator, together with the total amount due the state as video gambling machine gross income tax for the preceding quarter. The statement must contain other relevant information as the department may require.

(4) (a) The department shall, in accordance with the provisions of 15-1-501(6), forward one-third of the tax collected under subsection (3) and the surtax imposed by 23-5-646 to the general fund.

(b) The department shall, in accordance with the provisions of 15-1-501(6), forward the remaining two-thirds of the tax collected under subsection (3) to the treasurer of the county or the clerk, finance officer, or treasurer of the city or town in which the licensed machine is located, for deposit to the county or municipal treasury. Counties are not entitled to proceeds from taxes on income from video gambling machines located in incorporated cities and towns. The two-thirds local government portion of tax collected under subsection (3) is statutorily appropriated to the department as provided in 17-7-502 for deposit to the county or municipal treasury.

23-5-610. (Effective on receipt of taxes for calendar quarter ending June 30, 1993) Video gambling machine gross income tax -- records -- distribution -- quarterly statement and payment. (1) A licensed operator issued a permit under this part shall pay to the department a video gambling machine tax of 15% of the gross income from each video gambling machine licensed under this part. A licensed operator may deduct from the gross income amounts equal to amounts stolen from machines if the amounts are not repaid by insurance and if a law enforcement agency investigated the theft.

(2) A licensed operator issued a permit under this part shall keep a record of the gross income from each machine in

such the form as the department may require. The records must at all times during the business hours of the licensee be subject to inspection by the department.

(3) A licensed operator issued a permit under this part shall, within 15 days after the end of each quarter, complete and deliver to the department a statement showing the total gross income from each video gambling machine licensed to him the operator, together with the total amount due the state as video gambling machine gross income tax for the preceding quarter. The statement must contain other relevant information as the department may require.

(4) (a) The department shall, in accordance with the provisions of 15-1-501(6), forward one-third of the tax collected under subsection (3) to the general fund.

(b) The department shall, in accordance with the provisions of 15-1-501(6), forward the remaining two-thirds of the tax collected under subsection (3) to the treasurer of the county or the clerk, finance officer, or treasurer of the city or town in which the licensed machine is located, for deposit to the county or municipal treasury. Counties are not entitled to proceeds from taxes on income from video gambling machines located in incorporated cities and towns. The two-thirds local government portion of tax collected under subsection (3) is statutorily appropriated to the department as provided in 17-7-502 for deposit to the county

or municipal treasury."

Section 32. Section 23-5-646, MCA, is amended to read:

"**23-5-646. (Temporary) Surtax -- distribution.** (1) In addition to the amount of tax liability determined under 23-5-610, each licensed operator subject to taxation under this part shall pay, as a surtax, 7% of the tax liability.

(2) The surtax imposed by this section must, in accordance with the provisions of 15-1-501(6), be deposited to the credit of the state general fund."

Section 33. Section 39-71-2504, MCA, is amended to read:

"**39-71-2504. Workers' compensation tax account.** (1) There is a workers' compensation tax account in the state special revenue fund. The workers' compensation tax account consists of a tax account and a workers' compensation bond repayment account.

(2) All collections of the tax, interest and penalties on the tax, and revenue appropriated to the workers' compensation tax account under section 11, Chapter 9, Special Laws of June 1989, must, in accordance with the provisions of 15-1-501(6), be deposited in the workers' compensation tax account. All such money deposited in the workers' compensation tax account must be credited to the workers' compensation bond repayment account to the extent necessary to pay the principal of and redemption premium and

interest due on workers' compensation bonds issued under 39-71-2354 and 39-71-2355 and to establish and maintain a reserve for the bonds equal to the maximum annual principal of and interest on the bonds in any future year. The balance in the workers' compensation bond repayment account must be credited to the tax account within the workers' compensation tax account and is statutorily appropriated, as provided in 17-7-502, to the state fund to be used to reduce the unfunded liability in the state fund incurred for claims for injuries resulting from accidents that occurred before July 1, 1990."

NEW SECTION. **Section 34.** Repealer. Section 15-1-502, MCA, is repealed.

NEW SECTION. **Section 35.** Retroactive applicability. [This act] applies retroactively, within the meaning of 1-2-109, to all tax periods beginning after December 31, 1992, and to taxes collected by audit after December 31, 1992, or taxes collected after December 31, 1992, if the payment was made after the date on which the tax was payable.

NEW SECTION. **Section 36.** Effective date. [This act] is effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0641, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act clarifying that tax revenue must be distributed according to the statute governing allocation of the tax that was in effect for the period the tax revenue was recorded for accounting purposes; specifying that tax revenue must be recorded as prescribed by the Department of Administration in accordance with generally accepted accounting principles; and providing an immediate effective date and a retroactive applicability date.

FISCAL IMPACT:

The proposal would codify accounting practices and procedures currently in use. Consequently, this proposal has no impact on revenues, from either a cash flow or fund balance basis.

Dave Lewis 2-19-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Mike Foster 2-19-93
MIKE FOSTER, PRIMARY SPONSOR DATE

Fiscal Note for HB0641, as introduced

HB 641

3/05	FISCAL NOTE REQUESTED		
3/05	FISCAL NOTE RECEIVED		
3/05	FISCAL NOTE PRINTED		
3/24	3RD READING PASSED	96	3
	TRANSMITTED TO SENATE		
3/26	FIRST READING		
3/26	REFERRED TO TAXATION		
4/06	HEARING		
4/06	COMMITTEE REPORT—BILL CONCURRED		
4/12	2ND READING CONCURRED	48	0
4/13	3RD READING CONCURRED	43	6
	RETURNED TO HOUSE		
4/20	SIGNED BY SPEAKER		
4/21	SIGNED BY PRESIDENT		
4/22	TRANSMITTED TO GOVERNOR		
4/24	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 532		
	EFFECTIVE DATE: 04/24/93		

HB 641 INTRODUCED BY FOSTER, ET AL.
APPLY GENERAL ACCOUNTING PRINCIPLES TO TAX COLLECTIONS
BY REQUEST OF HOUSE TAXATION COMMITTEE

2/17	INTRODUCED		
2/17	REFERRED TO TAXATION		
2/17	FIRST READING		
2/17	FISCAL NOTE REQUESTED		
2/19	FISCAL NOTE RECEIVED		
2/19	FISCAL NOTE PRINTED		
3/02	HEARING		
3/02	COMMITTEE REPORT—BILL PASSED AS AMENDED		
3/04	2ND READING PASSED	99	0
3/08	3RD READING PASSED	98	0
	TRANSMITTED TO SENATE		
3/10	FIRST READING		
3/10	REFERRED TO TAXATION		
4/01	HEARING		
4/02	COMMITTEE REPORT—BILL CONCURRED		
4/03	2ND READING CONCURRED	47	0
4/05	3RD READING CONCURRED	50	0
	RETURNED TO HOUSE		
4/13	SIGNED BY SPEAKER		
4/14	SIGNED BY PRESIDENT		
4/16	TRANSMITTED TO GOVERNOR		
4/21	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 455		
	EFFECTIVE DATE: 04/21/93		

HB 642 INTRODUCED BY RANEY, ET AL.
ALLOCATE PORTION OF "BED TAX" FOR STATE PARK MAINTENANCE

2/17	INTRODUCED
2/17	REFERRED TO APPROPRIATIONS
2/17	FIRST READING
2/17	FISCAL NOTE REQUESTED
2/22	FISCAL NOTE RECEIVED
2/23	FISCAL NOTE PRINTED
3/04	HEARING
3/16	COMMITTEE REPORT—BILL PASSED AS AMENDED

HEARING ON HOUSE BILL 640

Opening Statement by Sponsor:

REP. JERRY DRISCOLL, HD 92, Billings, said the bill changes the definition of the average levy for the taxation of railroad car companies to the average statewide rate on commercial and industrial property instead of the average applicable to fleet motor carriers. He said this bill was requested by the House Taxation Committee.

Proponents' Testimony:

Mary Whittinghill, Bureau Chief, Centralized Assessment Bureau, Department of Revenue (DOR), presented her testimony in support of the bill. **EXHIBITS 1 and 1a**

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

There were no questions.

Closing by Sponsor: **REP. DRISCOLL** closed.

HEARING ON HOUSE BILL 641

Opening Statement by Sponsor:

REP. MIKE FOSTER, HD 32, Townsend, said this is a bill requested by the House Taxation Committee. The bill establishes the requirement that cash received for taxes be distributed the same as the tax revenue with which it is associated as directed by the Department of Administration according to generally accepted accounting principles. The bill does not change the distribution of any taxes and has no fiscal impact on either fund balance or cash balance. It allows the state to properly apply generally accepted accounting principles consistently to all tax revenue and the associated tax receipts and collections. As a result, all tax revenue received or accrued for a particular fiscal year can be allocated to the proper funds on a consistent basis. **REP. FOSTER** said the Department would be submitting proposed amendments.

Proponents' Testimony:

Connie Griffith, Administrator, Accounting and Management Support Division, Department of Administration, presented her testimony in support of the bill. **EXHIBIT 2** She also submitted proposed amendments which are entirely clerical and clarification in nature. **EXHIBIT 3**

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

There were no questions.

Closing by Sponsor:

REP. FOSTER closed.

EXECUTIVE ACTION ON HOUSE BILL 640

Motion: **REP. DRISCOLL MOVED HB 640 DO PASS.**

Discussion: There was no discussion.

Vote: The motion **CARRIED** unanimously.

EXECUTIVE ACTION ON HOUSE BILL 641

Motion: **REP. REAM MOVED HB 641 DO PASS.**

Discussion: There was no discussion.

Motion/Vote: **REP. REAM** moved to adopt the amendments as proposed by the Department of Administration. **EXHIBIT 3**

The motion **CARRIED** unanimously.

Vote: The motion by **REP. REAM** that **HB 641 DO PASS AS AMENDED CARRIED** unanimously.

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL DATE 3/2/93

NAME	PRESENT	ABSENT	EXCUSED
REP. GILBERT, CHAIRMAN			✓
REP. FOSTER	✓		
REP. HARRINGTON	✓		
REP. ANDERSON	✓		
REP. BOHLINGER	✓		
REP. DOLEZAL	✓		
REP. DRISCOLL	✓		
REP. ELLIOTT	✓		
REP. FELAND	✓		
REP. HANSON	✓		
REP. HARPER	✓		
REP. HIBBARD	✓		
REP. KELLER	✓		
REP. McCAFFREE	✓		
REP. McCARTHY	✓		
REP. NELSON	✓		
REP. ORR	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. TUNBY	✓		

HOUSE STANDING COMMITTEE REPORT

March 2, 1993

Mr. Speaker: We, the committee on Taxation report that House Bill 641 (first reading copy -- white) do pass as amended .

Signed: Bob Gilbert, Chair

And, that such amendments read:

1. Page 1, line 25 through page 2, line 1.
Strike: "state treasurer"
Insert: "collecting department"

2. Page 6, line 11.
Strike: "state treasurer"
Insert: "department of revenue"

3. Page 7, line 3.
Page 7, line 5.
Strike: "deposited"
Insert: "currently being recorded"

4. Page 7, line 18.
Strike: "(1)"

5. Page 7, lines 21 through 23.
Strike: "to the state treasurer on a monthly basis.
(2) The state treasurer shall deposit"
Insert: "as follows:
(1)"

6. Page 8, lines 1 and 2.
Strike: ".
(3) The treasurer shall credit"
Insert: "; and
(2)"

7. Page 8, line 23.
Strike: "remitted to the state treasurer to be"

8. Page 31, lines 21 and 22.
Strike: "turned over promptly to the state treasurer, who shall place the money"
Insert: "placed"

Committee Vote:

9. Page 35, lines 7 and 8.
Strike: "turned over promptly to the state treasurer and the state treasurer shall place the"

10. Page 35, line 9.
Strike: "taxes"
Insert: "placed"

11. Page 35, line 17.
Strike: "with the state treasurer."

12. Page 35, lines 17 and 18.
Strike: "The state treasurer shall deposit the funds"

13. Page 36, lines 15 and 16.
Strike: "with the state treasurer"

14. Page 40, line 12.
Strike: "state treasurer"
Insert: "department of revenue"

15. Page 41, lines 11 and 12.
Strike: "state treasurer"
Insert: "department of revenue"

16. Page 46, lines 8 and 9.
Page 46, lines 22 and 23.
Page 47, lines 7 and 8.
Strike: "paid to the state treasurer and"

EXHIBIT 2
DATE 3/2/93
HB 641

TESTIMONY ON HB 641
BY THE
DEPARTMENT OF ADMINISTRATION
March 2, 1993

TITLE: "An act clarifying that tax revenue must be distributed according to the statute governing allocation of the tax that was in effect for the period the tax revenue was recorded for accounting purposes; specifying that tax revenue must be recorded as prescribed by the Department of Administration in accordance with generally accepted accounting principles; amending sections 15-1-501, 15-23-716, 15-25-122, 15-31-702, 15-35-108, 15-36-112, 15-36-126, 15-37-117, 15-38-106, 15-38-136, 15-51-103, 15-53-114, 15-59-108, 15-59-208, 15-60-210, 15-65-121, 15-65-136, 15-70-101, 15-71-104, 16-1-306, 16-1-401, 16-1-404, 16-1-408, 16-1-410, 16-1-411, 16-1-421, 16-1-422, 16-1-423, 16-11-119, 16-11-206, 23-5-610, 23-5-646, and 39-71-2504, MCA; repealing Section 15-1-502, MCA; and providing an immediate effective date and a retroactive applicability date."

PURPOSE: The purpose of this legislation is to ensure that the actual cash received from tax collections is allocated to the various state funds in the same manner as the tax revenue associated with those collections when the revenue is accrued as required by generally accepted accounting principles.

BACKGROUND: Effective in fiscal year 1992, generally accepted accounting principles state that tax revenue is accruable if the taxes have been collected for the State , i.e. income tax withholding, or are due for the period ending June 30 of any year, but, for administrative purposes, are remitted to the State not more than 60 days after June 30. This affects primarily taxes on coal sales, oil and gas production and individual income and other self-assessed taxes which were previously recorded as revenue when the cash was actually received by the State.

When the tax is recorded as revenue in the Statewide Budgeting and Accounting System (SBAS) as required by generally accepted accounting principles, the revenue is distributed to the various funds (i.e. General Fund, State Special Revenue Fund, Capitol Projects Fund) per the allocation in effect in statute for the period of time the revenue is recorded. Tax revenue due at fiscal year end (June 30) but not collectible up to 60 days after June 30 is accrued; the revenue is allocated to the various state funds as required by statute in effect for the fiscal year ending that June 30; and a corresponding tax receivable is established for the same amount. If assessments for additional taxes are made as a result of audit findings and legal action, the tax revenue is accrued and allocated to the various funds as required by statute in effect at the time the additional tax is recorded as revenue; a corresponding tax receivable amount is recorded for the portion of the assessment not paid in cash at that time. Generally accepted accounting principles require that the actual cash collected by the State must be distributed to the various funds on the same basis as the accrued tax revenue with which the cash receipts are associated.

From time to time the legislature changes how these tax revenues are allocated to the various funds. This is not a problem unless the allocation schedules change in the time period between the accrual of the tax as revenue and the receipt of the actual cash collection. In statute the allocation or distribution of the taxes usually refer to "taxes collected" or "tax receipts" not "tax revenue"; changes in distribution usually occur effective July 1 of any year. Tax revenue cannot be accrued and distributed to the various funds using the allocation in effect when the tax collections are received since the revenue is accrued for a period of time prior to the effective date of the change in allocation. However, because most tax laws refer to distribution of taxes collected or tax receipts, the Department of Revenue or other department administering the tax would have to distribute the cash according to the allocation in effect at the time it is received. As a result, if a change in distribution is effective in the time between when the revenue is accrued and the cash is received by the State, the revenue and cash are accounted for on two different bases and the department cannot properly offset the associated taxes receivable as required by generally accepted accounting principles.

Section 1 of HB 641 establishes the requirement that cash received for taxes be distributed the same as the tax revenue with which it is associated as directed by the department of administration according to generally accepted accounting principles. All other changes in this and other sections of this bill are incorporated to make reference to this requirement in the sections of the MCA referring to specific taxes. This bill does not change the distribution of any taxes and has no fiscal impact on either fund balance or cash balance. It does allow the State to properly apply generally accepted accounting principles consistently to all tax revenue and the associated cash receipts and collections. As a result, all tax revenue received or accrued for a particular fiscal year can be allocated to the proper funds on a consistent basis.

EXHIBIT 3
DATE 3/2/93
HB HB 641

Amendments to House Bill No. 641
First Reading Copy

Requested by DOR
For the Committee on Taxation

Prepared by Lee Heiman
March 1, 1993

1. Page 1, line 25 through page 2, line 1.
Strike: "state treasurer"
Insert: "collecting department"

2. Page 6, line 11.
Strike: "state treasurer"
Insert: "department of revenue"

3. Page 7, line 3.
Page 7, line 5.
Strike: "deposited"
Insert: "currently being recorded"

4. Page 7, line 18.
Strike: "(1)"

5. Page 7, lines 21 through 23.
Strike: "to the state treasurer on a monthly basis.
(2) The state treasurer shall deposit"
Insert: "as follows:
(1)"

6. Page 8, lines 1 and 2.
Strike: ".
(3) The treasurer shall credit"
Insert: "; and
(2)"

7. Page 8, line 23.
Strike: "remitted to the state treasurer to be"

8. Page 31, lines 21 and 22.
Strike: "turned over promptly to the state treasurer, who shall place the money"
Insert: "placed"

9. Page 35, lines 7 and 8.
Strike: "turned over promptly to the state treasurer and the state treasurer shall place the"

10. Page 35, line 9.
Strike: "taxes"
Insert: "placed"

11. Page 35, line 17.
Strike: "with the state treasurer."

12. Page 35, lines 17 and 18.
Strike: "The state treasurer shall deposit the funds"

13. Page 36, lines 15 and 16.
Strike: "with the state treasurer"

14. Page 40, line 12.
Strike: "state treasurer"
Insert: "department of revenue"

15. Page 41, lines 11 and 12.
Strike: "state treasurer"
Insert: "department of revenue"

16. Page 46, lines 8 and 9.
Page 46, lines 22 and 23.
Page 47, lines 7 and 8.
Strike: "paid to the state treasurer and"

on Page 13, Lines 17-19, Mr. Salisbury said there is no charge for the initial permit; this $100 re-issuance fee is in the event of a revocation. This is done to encourage people to continue to file and keep their accounts up to date so the DOT will not have to go through a re-licensing process.

Senator Towe and Senator Eck questioned the agricultural use definition. Mr. Salisbury said the 50% use is similar to the requirement by the DOR for income tax purposes; if a person, or corporation, has agriculture as its major endeavor, it will receive the agricultural exemption. Cindy Anders, Administrative Officer for the DOT, said if anyone purchases bulk fuel in quantities of 200 gallons or more, they have the option to buy it tax exempt. She said the questions Senator Towe had asked would refer to the refund process. If someone purchases under 200 gallons, and they pay the tax, they could come to the DOT for a refund. However, if they do not qualify for agricultural use, they would have to keep a dispersal record on that fuel under 200 gallons. If they do qualify as an agricultural user, they could submit invoices and get 60% of the tax refunded.

Closing by Sponsor:

Rep. Brown said the net effect of HB 539 will be $3 million to $6 million new dollars in the highway account that are presently missing because of evasion of fuel taxes, and this means $300,000 to $500,000 in interest payments to the General Fund. Passage of this bill will also eliminate a considerable amount of administrative paperwork.

EXECUTIVE ACTION ON HB 539

MOTION/VOTE:

Senator Eck moved HB 539 BE CONCURRED IN. The motion CARRIED on oral vote with Senator Stang voting "NO". Senator Eck will carry the bill on the Senate floor. (Please refer to Minutes of April 2, 1993, for further action on HB 539.)

HEARING ON HB 641

Opening Statement by Sponsor:

Representative Mike Foster, representing House District 32, presented HB 641. Rep. Foster said HB 641 is a committee bill which codifies current accounting practices and establishes the requirement that cash received for taxes be distributed the same as the tax revenue with which it is associated according to generally accepted accounting principles. Rep. Foster said this bill will not change the distribution of any taxes and has no fiscal impact on either fund balance or cash balance; it allows the state to properly apply generally accepted accounting

principles consistently to all tax revenue and the associated cash receipts and collections. As a result, all tax revenue received or accrued of a particular fiscal year can be allocated to the proper fund on a consistent basis.

Proponents' Testimony:

Connie Griffith, Administrator of the Accounting and Management Tort Division for the Department of Administration (DOA), presented her written testimony, Exhibit No. 6 to these minutes. Ms. Griffith said both the DOA and the DOR, with consensus from the Legislative Auditor's office, asked the committee to sponsor HB 641. The purpose of the bill is to make sure that cash received from taxes is allocated to funds in the same manner that the revenue associated with those collections is allocated. Presently, a problem occurs when revenue is accrued and the distribution or allocation of taxes is changed between the time the revenue is accrued and the time the cash is actually collected. HB 641 will clarify all of the tax laws so they are handled in a consistent basis.

Mick Robinson, Director of the Department of Revenue, spoke in favor of HB 641. Mr. Robinson said this situation arose as a result of an audit of the DOR, and the Department is caught between what is generally accepted accounting principles and some statutory language that indicates the DOR must distribute based on the collection. When there is a change in fiscal years, DOR has accrued tax revenue at the end of the year and then a cash collection received some time later is caught between two different bases of accounting. HB 641 will clear that up and address an audit finding impacting the DOR.

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Gage asked Director Robinson if HB 641 would have any affect on the '91-'93 biennium. Mr. Robinson replied that he didn't expect any impact on either fund balance or cash balance as a result of the effective date of this bill.

Senator Towe asked Director Robinson if there is a problem with accrual, and when the revenue is not received, it is considered accrued on July 1 and included in the previous biennium, when it is going to be received within the next 60 days. Mr. Robinson said that is correct. Presently, as of June 30, the DOR would make an accrual entry which would recognize the revenue in a certain fund, and when the cash is collected in the

next fiscal year, the statute indicates that if the allocation formula has changed, it must be distributed in a different allocation. HB 641 will assure that the statutory language indicates that the cash collection should be allocated in the same manner as the revenue accrual.

Closing by Sponsor:

Rep. Foster did not offer any more remarks in closing.

EXECUTIVE ACTION ON HB 641

MOTION/VOTE:

Senator Towe moved HB 641 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY on oral vote. (731539SC.Sma) Senator Towe will carry the bill on the Senate floor.

HEARING ON HB 436

Opening Statement by Sponsor:

Representative Tom Nelson, House District No. 95, presented HB 436, which is a bill having three actions: (1) It clarifies the definition of air and water pollution equipment for property tax purposes; (2) It provides requirements for rules governing the verification of the equipment; and (3) It specifies the roles of the Department of Revenue (DOR) and the Department of Health and Environmental Sciences (DHES) in classifying and valuing this equipment, because to do the job right, they have to work in concert. Rep. Nelson said an example where this bill would be needed would be a refinery that added equipment to cut down water pollution or air pollution, or where equipment is being added to an existing refinery or to a refinery being retrofitted with equipment, or in a business that is using waste products from a refinery and some of that equipment put into the new business plant is used to cut down pollution.

Rep. Nelson said a refinery is in a property class that is taxed at 9%. Equipment that is put into this plant for water and air pollution reduction is given a special tax status, and is taxed at 3%. This is a tax incentive to attract industry interested in reducing environmental air and water pollution. HB 436 further clarifies rules defining water and air pollution control equipment and establishes a procedure to apportion the value of multi-purpose equipment, which would be a fitting or piece of equipment that is designed to reduce the pollution but is also used in a manufacturing process. In this instance, a tax reduction would be apportioned because there could be a by-product sold as a result of the manufacturing process, so part of the property would be taxed at 9%, and part at 3%.

ROLL CALL

SENATE COMMITTEE TAXATION DATE 4-1-93

NAME	PRESENT	ABSENT	EXCUSED
Sen. Halligan, Chair	✓		
Sen. Eck, Vice Chair	✓		
Sen. Brown	✓		
Sen. Doherty	✓		
Sen. Gage	✓		
Sen. Grosfield	✓		
Sen. Harp	✓		
Sen. Stang	✓		
Sen. Towe	✓		
Sen. Van Valkenburg			✓
Sen. Yellowtail	✓		

FC8

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

April 1, 1993

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 641 (third reading copy -- blue), respectfully report that House Bill No. 641 be concurred in.

Signed: _____
Senator Mike Halligan, Chair

m — Amd. Coord.
hw Sec. of Senate

Towe
Senator Carrying Bill

731539SC.Sma

SENATE TAXATION
EXHIBIT NO. 6
DATE 4-1-93
BILL NO. HB 641

TESTIMONY ON HB 641
BY THE
DEPARTMENT OF ADMINISTRATION
April 1, 1993

TITLE: "An act clarifying that tax revenue must be distributed according to the statute governing allocation of the tax that was in effect for the period the tax revenue was recorded for accounting purposes; specifying that tax revenue must be recorded as prescribed by the Department of Administration in accordance with generally accepted accounting principles; amending sections 15-1-501, 15-23-716, 15-25-122, 15-31-702, 15-35-108, 15-36-112, 15-36-126, 15-37-117, 15-38-106, 15-38-136, 15-51-103, 15-53-114, 15-59-108, 15-59-208, 15-60-210, 15-65-121, 15-65-136, 15-70-101, 15-71-104, 16-1-306, 16-1-401, 16-1-404, 16-1-408, 16-1-410, 16-1-411, 16-1-421, 16-1-422, 16-1-423, 16-11-119, 16-11-206, 23-5-610, 23-5-646, and 39-71-2504, MCA; repealing Section 15-1-502, MCA; and providing an immediate effective date and a retroactive applicability date."

PURPOSE: The purpose of this legislation is to ensure that the actual cash received from tax collections is allocated to the various state funds in the same manner as the tax revenue associated with those collections. This bill codifies current accounting practice and allows the State to continue to properly apply generally accepted accounting principles consistently to all tax revenue and the associated cash receipts and collections. As a result, all tax revenue received or accrued for a particular fiscal year can be allocated to the proper funds on a consistent basis.

EFFECT OF IMPLEMENTATION: Section 1 of HB 641 establishes the requirement that cash received for taxes be distributed the same as the tax revenue with which it is associated as directed by the department of administration according to generally accepted accounting principles. All other changes in this and other sections of this bill are incorporated to make reference to this requirement in the sections of the MCA referring to specific taxes. This bill does not change the distribution of any taxes and has no fiscal impact on either fund balance or cash balance.

BACKGROUND: When a tax is recorded as revenue in the Statewide Budgeting and Accounting System (SBAS) as required by generally accepted accounting principles, the revenue is distributed to the various funds (i.e. General Fund, State Special Revenue Fund, Capitol Projects Fund) per the allocation in effect in statute for the period of time the revenue is recorded. Tax revenue due at fiscal year end (June 30) but not collectible up to 60 days after June 30 is accrued; the revenue is allocated to the various state funds as required by statute in effect for the fiscal year ending that June 30; and a corresponding tax receivable is established for the same amount. If assessments for additional taxes are made as a result of audit findings and legal action, the tax revenue is accrued and allocated to the various funds as required by statute in effect at the time the additional tax is recorded as revenue; a corresponding tax receivable amount is recorded for the portion of the assessment not paid in cash at that time. Generally accepted accounting principles require that the actual cash collected by the State must be distributed to the various funds on the same basis as the accrued tax revenue with which the cash receipts are associated.

Testimony on HB 641
Department of Administration
April 1, 1993

From time to time the legislature changes how these tax revenues are allocated to the various funds. This is not a problem unless the allocation schedules change in the time period between the accrual of the tax as revenue and the receipt of the actual cash collection. When this occurs, the tax revenue cannot be accrued and distributed to the various funds using the allocation in effect when the tax collections are received since the revenue is accrued for a period of time prior to the effective date of the change in allocation. However, because most tax laws refer to distribution of taxes "collected" or tax "receipts" and not "tax revenue", the Department of Revenue or other department administering a tax could distribute the cash according to the allocation in effect at the time it is received. As a result, if a change in distribution is effective in the time between when the revenue is accrued and the cash is received by the State, the revenue and cash receipts could be accounted for on two different bases and the department would not properly offset the associated taxes receivable as required by generally accepted accounting principles.

DATE 4-1-93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: HB 436, 539, 627, 641

Name	Representing	Bill No.	Check One: Support	Check One: Oppose
Dave Brown	Sponsor - HD #72	539	X	
Bill Salisbury	MDT	539	X	
Geo. Bennett	Mont. Bkrs Assn	HB 627		X
Thomas L Harris	DOT — Int Rev Svc	HB 539	X	
Rona Alexander	MT Petroleum Marketers	HB 539	X	
William F. Gowen	Montana Land Title Assn	HB 627		X
Mike Mathew	Yellowstone Co.	HB 436	X	
Ben Havdahl	MT Motor Carriers	HB 539	X	
Connie K Griffith	Dept of Admin	HB 641		
Paul Maxwell	CENEX	HB 436	✓	
Mike Higgins	Consumers Power	HB 436	X	
Carl Schweitzer	Mont Coal Assoc	HB 436	X	
Don Allen	Northern Montana Ag	HB 436	✓	
Ted Doney	Rosebud Energy Corp.; ASARCO Billings Refining Inc.	HB 436	—	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

F10